

**STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
45 Fremont Street, 21st Floor
San Francisco, California 94105**

REG-2007-00034

August 13, 2008

INITIAL STATEMENT OF REASONS

Proposed Amendments to the CAARP Rules and Rates Manual

PURPOSE OF THE REGULATION

Pursuant to California Insurance Code Section 11620 California Insurance Commissioner Steve Poizner will hold a public hearing regarding the recommendation of the California Automobile Assigned Risk Plan (“CAARP” or “Plan”) to amend the CAARP Rules and Rates Manual.

NECESSITY OF REGULATION

CAARP is requesting changes to the private passenger and commercial auto additional charges rules. The purpose of the proposed changes is necessary to clarify the application of Rules 24 and 55 and ensure that CAARP certified producers apply the rule consistently. Certified producers for both private passenger and commercial risks complained that the rule as written was confusing. This lead to some policies being rated with penalty points being applied to the highest rated auto while others were rated applying the charges to the first auto for a maximum of 12 penalty points and then additional penalty points applied to the next auto until they were exhausted. This confusion leads to similarly situated drivers being treated in a dissimilar manner. The proposed changes are necessary to clarify the rule and assure uniformity among the carriers in rating risks written throughout the Plan.

IDENTIFICATION OF STUDIES

The proposed amendments rely upon the expertise and experience of CAARP’s Advisory Committee. No data, studies, information or reports were submitted for this proceeding.

SPECIFIC ACTIONS, PROCEDURES, TECHNOLOGIES OR EQUIPMENT

Adoption of the proposed changes would not mandate the use of specific technologies or equipment.

REASONABLE ALTERNATIVES

The Commissioner invites public comments on the proposed changes and reasonable alternatives which would be as effective to carry out the proposed changes.

ECONOMIC IMPACT ON BUSINESS

The Commissioner has initially determined that the proposed changes will not have a significant adverse economic impact on businesses. The Commissioner invites interested parties to comment on whether the proposed changes will have a significant adverse economic impact on business.